



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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January 31, 2006

TO: The Honorable Margarita Prentice, Chair
Senate Ways and Means Committee

The Honorable Helen Sommers, Chair
House Appropriations Committee

The Honorable Hans Dunshee, Chair
House Capital Budget Committee

FROM: Victor A. Moore, Director *V.A.M.*

SUBJECT: NEW INFORMATION RELATED TO GOVERNOR'S SUPPLEMENTAL BUDGET

As you deliberate on the 2006 Supplemental Budget, I ask you to consider the enclosed list of issues that came to our attention after the Governor's budget was finalized in December. Several of these priorities involve responses to court orders or the recognition of additional legal costs. We have also been working toward a more definitive corrections caseload number.

When added to the technical adjustments I noted in my January 17 memorandum to you, these proposed revisions would increase the state general fund by \$4.4 million.

These revisions do not reflect any adjustments for caseload, enrollment, or per capita costs that will be part of the updated forecasts in February. The Office of Financial Management (OFM) staff will continue to collaborate with your staff on these numbers.

An OFM and legislative staff workgroup has been formed to assess the fiscal impact of recent federal actions regarding Washington's share of Medicare Part B premiums for low-income elderly and persons with disabilities. It appears the federal government is re-evaluating eligibility and billing the state retroactively for an adjusted amount of premiums. The 2006 Supplemental Budget will likely need to include funds to cover the additional state costs. OFM will work with the Department of Social and Health Services and your staff to track this issue as part of final forecast cost calculations.

Please do not hesitate to contact me at (360) 902-0530 or other OFM staff if you have questions.

cc: Charlie Gavigan, House Appropriations Committee
Dave Johnson, House Appropriations Committee
David Schumacher, Senate Ways and Means Committee
Mike Wills, Senate Ways and Means Committee



Proposed Revisions to the Governor's 2006 Supplemental Budget

OMNIBUS OPERATING BUDGET

| New Information | Dollars in Thousands | | |
|---|----------------------|-------|-------|
| | 2007 FTEs | GFS | Other |
| DSHS Mental Health Special Commitment Center for increased King County defender costs for Civil Commitment King County Superior Court ordered DSHS to increase its defender rates for special commitment cases by \$20.65/hr for attorneys and \$16/hr for paralegals and investigators effective January 1, 2006. | | 955 | |
| DSHS Mental Health Western State Hospital - Court order for new ward A recent oral order from Judge Casey requires a new ward at Western State Hospital starting April 1, 2006. The cost estimate may be reduced if federal funding can be earned. | 55.3 | 5,861 | |
| DSHS Mental Health - Allen lawsuit The Allen lawsuit involves developmentally disabled (DD) clients served at Western State Hospital (WSH). It specifically covers additional staffing in WSH forensic and adult wards for DD clients included under the Allen claims. This additional staffing may help get the case (filed in 1999) dismissed in the near future. | 5.0 | 503 | |
| DSHS Developmental Disabilities - Additional community capacity Based on a current assessment of need, funding is provided for 19 additional community placements for persons in residential habilitation centers, children aging out of other state services, and clients without residential services who have an immediate risk of needing residential or other support services. (General Fund – State, General Fund – Federal) | | 992 | 992 |
| DSHS Administrative Services - Year-split change for SEIU contract implementation project Shift \$950,000 from FYs 2006 to 2007. This activity is delayed because of other work that must be done first. | | 0 | |
| Department of Corrections - Population forecast model correction The forecast calculation model did not include the appropriate adjustment for hearings or salary and benefits. | 21.5 | 3,681 | |
| Attorney General costs for Children's Services Attorney General workload is increasing because court calendars will now be held daily, as opposed to the previous practice of 3 days per week in Seattle, and 2 days per week in Kent. | | | |
| DSHS - Payments to Other Agencies (GF-State and Federal) | | 209 | 74 |
| Attorney General - (Legal Services Revolving Account) | | | 283 |
| Human Rights Commission - Federal funding decrease The agency is losing federal funding because it did not close as many employment and housing discrimination cases as estimated. Productivity has now stabilized and staff are closing cases at a higher rate for FY 2006. If the additional state funding is not received and staffing is reduced in FY 2006, it would probably be impossible to reach budget goals for FY 2007, resulting in another federal fund shortfall. (GF-State and Federal) | | 427 | (427) |
| Services for the Blind - Additional federal spending authority This is one-time federal funding from allocations not used by other states, and more federal reimbursement than originally estimated for training clients that the agency helped to return to work. (GF-Federal) | | | 107 |
| State Parks – Compensation and retirement costs This item covers \$304,000 of on-going costs for the 2005-07 Biennium to correct a newly identified pay compression issue, as well as \$100,000 in one-time costs for retirement buyouts anticipated in FY 2006. Since the Governor's budget was developed, six actual and announced retirements have occurred. The agency cannot absorb these costs. | | 404 | |
| Fish and Wildlife – Invasive species (tunicate) eradication in Puget Sound On behalf of the Department of Fish and Wildlife, the Puget Sound Action Team is requesting \$250,000 (\$175,000 GF-S in the 2006 supplemental and \$75,000 from the Emergency Fund) to begin a boat hull-cleaning program at three infested marinas prior to the beginning of boating season. If established, the tunicate will out-compete native organisms for food and space, cause harm to the ecosystem and potentially impact recreational and commercial activities that depend on the current ecology of Puget Sound. | | 175 | |

New Information**2007 FTEs GFS Other****Department of Natural Resources (DNR) - Fire suppression costs**

DNR fire suppression costs for FY 06 are reduced as a result of updated allocation of fire costs from GF-S to other sources. GF-S need has been reduced from \$590,000 in the Governor's budget to \$54,000.

0.0 (536)

Department of Agriculture - Sales, inspections, and litigation related to raw milk

The department has experienced additional workload for the Inspections, testing, and legal costs associated with raw milk operations. Five new facilities have been licensed, and another 15 are expected by the end of the fiscal year.

1.0 190

Department of Agriculture - Statewide renewable fuel legislation

Funding is required for staff to work with the biodiesel industry, review biodiesel fuel programs in other states, examine all options for biofuel quality assurance, and work on rule adoption. Efforts must begin right away to be ready for the July 1, 2007 biofuel requirements identified in HB 2738 and SB 6508 that mandate (1) all diesel fuel sold or offered for sale in Washington shall contain at least 2 percent biodiesel fuel by volume, and, (2) that if the Director of the Department of Agriculture determines that both instate oil seed crushing capacity can satisfy the 2 percent requirement and that a significant portion of the feedstock was grown in Washington state, all diesel fuel sold or offered for sale in Washington must contain at least 5 percent biodiesel fuel by volume. Blenders and retailers will be given six months to meet this requirement.

1.0 140

Dept. of Corrections/Secretary of State - Farrakhan lawsuit costs

This case has significant bearing on the election processes of Washington State as administered by the Secretary of State, and the voting rights of inmates under the supervision of the Department of Corrections. It is scheduled for March 2006.

| | | |
|---|-----|-----|
| Secretary of State | 327 | |
| Department of Corrections | 326 | |
| Attorney General - (Legal Services Revolving Account) | | 653 |

Liquor Control Board study

Consultants will analyze the three-tier alcohol sales system, as a follow-up to the Costco lawsuit (Liquor Services Revolving Account)

250

Office of Attorney General - Unfunded mandates lawsuit

Spokane County sued the state to collect \$496,000 in unfunded mandate claims. The suit was dismissed by the courts, so this is excess funding not needed by the Attorney General's office.

(416)

Debt Service costs

Recent capital bond sale at lower rates has resulted in some GFS debt service savings.

(4,000)

| | | | |
|---|--------------|--------------|--------------|
| Total Expenditure Revision for New Information Items | 83.8 | 9,238 | 1,932 |
| Errata changes previously communicated to Legislature | 30.8 | (4,812) | (1,974) |
| Total Revisions | 114.6 | 4,426 | (42) |

BILL LANGUAGE**Correction to RCW 90.56.120 Oil Spill Advisory Council - Travel and per diem reimbursement**

This is a technical correction. Current per diem authorization was written narrowly to prevent not only the Oil Companies reimbursement, but also excluded the Chairperson of the Council. It is recommended that language be inserted to allow the chair to receive per diem and all council members to receive travel reimbursement as directed by the chair for business beyond the regular council meetings (such as for sub-committee meetings and testimony at hearings).

2006 SUPPLEMENTAL CAPITAL BUDGET**The Evergreen State College Seminar II Building Mediated Settlement**

Mediated settlement agreement occurred on December 21, 2005. The settlement is expected to be signed by all parties by the end of January. (Gardner-Evans Bonds)

4,250

Department of Corrections-Fund Source Change

Move the fund source for the Correctional Industries roof replacement from bonds to CEPR & I Account to free up bonds for the Fish and Wildlife item. *If Trust Land Transfer is used, this item will not be needed.* (No net budget impact.)

Department of Fish and Wildlife--Land Transfer with the Department of Natural Resources

This funding is for a land transfer with the Department of Natural Resources-*may use Trust Land Transfers.*

500